

Message Text

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ACTION EB-08

INFO OCT-01 ARA-14 EUR-12 EA-12 ISO-00 SP-02 AID-05

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 PA-02 PRS-01 USIE-00 NSCE-00 INRE-00

SSO-00 /101 W

-----068598 261141Z /23

O R 261017Z AUG 77

FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 2796

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CARACAS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY MADRID

AMEMBASSY OSLO

AMCONSUL OPORTO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMCONSUL PONTA DELGADA

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY VIENNA

USDOC WASHDC

UNCLAS LISBON 6628

DEPT. PASS TREASURY FOR SYVRUD

PASS EXIMBANK

PASS FEDERAL RESERVE BANK

BRUSSELS FOR EC

PARIS ALSO FOR OECD

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E.O. 11652: N/A

TAGS: EFIN, ECON, PO

SUBJ: PRIME MINISTER ANNOUNCES NEW ECONOMIC MEASURES

SUMMARY. PM SOARES, IN TELEVISED SPEECH TO NATION AUG. 25, PRE-
SENTED NEW PACKAGE OF AUSTERITY MEASURES APPROVED EARLIER IN

THE DAY BY COUNCIL OF MINISTERS. END SUMMARY.

1. DESCRIBING THEM AS NECESSARY NOW RPT. NOW TO ALLEVIATE BALANCE OF PAYMENTS SITUATION AND TO PERMIT PORTUGAL TO ENTER IMF NEGOTIATIONS IN SEPTEMBER, PM SOARES, IN TELEVISED SPEECH TO NATION ON AUGUST 25, PRESENTED NEW ECONOMIC AUSTERITY MEASURES APPROVED EARLIER IN DAY BY COUNCIL OF MINISTERS. SOARES ALSO REVIEWED CIRCUMSTANCES WHICH HAD LED TO COUNTRY'S PRESENT ECONOMIC PLIGHT AND WHICH HAD NECESSITATED MORTGAGING OF 50 PERCENT OF PORTUGAL'S GOLD RESERVES. REFERRING TO MULTILATERAL FINANCIAL ASSISTANCE PACKAGE, SOARES CITED U.S. LEADERSHIP ROLE IN PUTTING PACKAGE TOGETHER, STRESSING FACT THAT NO POLITICAL STRINGS ATTACHED TO LOAN.

2. PRINCIPAL MEASURES APPROVED BY COUNCIL OF MINISTERS INCLUDE FOLLOWING:

A. "FLOATING" OF ESCUDO UNDER MODIFIED CRAWLING PEG REGIME. BANK OF PORTUGAL IS TO ISSUE NOTICE REGARDING IMPLEMENTATION OF THIS MEASURE.

B. INCREASE IN INTEREST RATE - FOR BOTH SAVINGS AND CREDIT - ON AVERAGE FOUR PERCENTAGE POINTS.

C. SELECTIVE CREDIT CONTROLS, INCLUDING CEILINGS ON AGGREGATE GROWTH OF CREDIT; GUIDELINES WILL BE ISSUED TO COMMERCIAL BANKS FOR GRANTING OF MEDIUM AND LONG-TERM CREDIT.

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D. HIKE OF PETROLEUM-BASED FUEL PRICES BY AVERAGE OF 25 PERCENT. PM SOARES ALSO CALLED ON NATION TO CONSERVE PETROLEUM, ON THREAT OF RATIONING IF CONSUMPTION NOT MODERATED BY YEAR'S END;

E. CREATION OF NATIONAL DEVELOPMENT FUND CHARGED WITH STIMULATING INVESTMENT IN KEY SECTORS;

F. FIRMS FACING PROSPECT OF BANKRUPTCY WILL BE PERMITTED SUSPEND TEMPORARILY PROVISIONS OF LABOR CONTRACTS AND WILL BE PERMITTED TO DISMISS REDUNDANT PERSONNEL. THIS MEASURE WILL BE ACCOMPANIED BY NECESSARY PROVISION OF UNEMPLOYMENT BENEFITS TO WORKERS LAID OFF;

G. REDUCTIONS IN GOVERNMENT BUDGETARY EXPENDITURES, WITH PM SOARES INDICATING TARGET 10 TO 20 PERCENT REDUCTION;

H. GOVERNMENT WILL SEEK LEGISLATIVE AUTHORITY TO PERMIT HIGHER INTEREST RATE ON PUBLIC DEBT ISSUES;

I. BANKS WILL BE AUTHORIZED OPEN FOREIGN CURRENCY ACCOUNTS FOR NON-RESIDENTS.

3. SOARES SAID MEASURES BEING TAKEN NOW ARE NOT UNLIKE THOSE TAKEN IN RECENT PAST BY COUNTRIES IN SIMILAR PLIGHT, WITH POSITIVE RESULTS. HE CITED UK AND ITALY AS EXAMPLES.

PM ALSO SAID THAT GERMANS INTEND TO BROACH IDEA TO EUROPEAN PARTNERS OF "MARSHALL PLAN" FOR SOUTHERN EUROPE. SOARES CHARACTERIZED IDEAS FULL OF PROMISE, BUT ADMITTED IT STILL IN THINKING STEPS AND ITS FUTURE HIGHLY UNCERTAIN.

4. COMMENT FOLLOWS SEPTTEL.
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Message Attributes

Automatic Decaptioning: X
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Concepts: PRIME MINISTER, ECONOMIC PROGRAMS
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
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Executive Order: N/A
Errors: N/A
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TAGS: EFIN, ECON, PO, (SOARES, MARIO ALBERTO NOBRE LOPES)
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Type: TE
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